

**HAPPY HOLIDAYS TO ALL OF YOU!**

The Office of State Aid and School Finance staff--Ann, Dan, Glenda, Jerry, Joellen, Mike, Phil and Sandy--wish each of you a Happy Holiday Season! Also, we wish you the best for the upcoming new year. As always, we encourage you to feel free to contact any of us with questions or concerns that we may be able to help with. In addition, we would like to thank you for the many kind words and words of encouragement that you express to us when we engage in phone conversation or meet occasionally in person at meetings and other functions.

**CORRECTION TO NOVEMBER STATE SCHOOL AID UPDATE**

The original November UPDATE that was put out on the web contained a statement that the November 15, 2005 *Durant* non-plaintiff district payment represented the seventh of ten equal annual payments to non-plaintiff districts in the *Durant v State of Michigan* court case. Please be advised that the November 15, 2005 payment was the **eighth** of ten equal annual payments. The two remaining payments will be paid in November of 2006 and November of 2007. The November UPDATE on the web was revised to state that the payment of November 15, 2005 was the eighth of 10 payments. However, if you printed the original version you may want to print and retain the revised version.

**STATE SCHOOL AID DATA UPDATED FOR DECEMBER**

The December state school aid payment is the third payment of the year and reflects 27.27% of the year's allocations for Sections 22a, 51c, and 22b as well as for most categoricals. Prior year adjustments are made at 100% in a single payment. The payment will post at the districts' banks on December 20<sup>th</sup>.

**Taxable value** figures used to calculate the December payment represent the tax year 2005 values provided by the county treasurers via the web based taxable valuation collection process. These data can be viewed by school district personnel on the Department's website. The URL is: <http://mdoe.state.mi.us/taxvalue>. Any revisions to taxable values received prior to December 1, 2005 were incorporated into the payment calculation. To view your data, click on "Public Access," and then choose your district code and the appropriate tax year from the drop-down menu.

Questions concerning taxable value should first be directed to the appropriate county treasurer.

The **membership blend** used to calculate the December payment incorporated all Single Record Student Database (SRSD) pupil (FTE) counts released to the Department as of December 1, 2005, the date the Department downloaded the pupil counts from the Center for Educational Performance and Information. The membership blend for most districts and public school academies (PSAs) for FY 2006 is 25% of the February 9, 2005 supplemental count and 75% of the September 28, 2005 pupil count.

**DELINQUENT REPORTS RESULT IN THE WITHHOLDING OF STATE AID**

A few districts and PSAs have failed to comply with the November 15<sup>th</sup> submission deadline for the **Financial Information Database (FID) - Annual Comprehensive Financial Report** and the **financial audit reports**. The financial penalty for non-compliance is a 100% withholding of state aid until the reports are received. Therefore, for the districts with outstanding reports as of December 2, the December payment has been withheld. Payments will continue to be withheld until the required reports are received. A total of eight districts and PSAs have had this payment withheld. Questions regarding the *audit reports* may be directed to Kathy Weller, Office of Audits, (517) 335-6858, or e-mail: [WellerK@Michigan.gov](mailto:WellerK@Michigan.gov). Districts with questions pertaining to the *FID* may contact Glenda Rader, State Aid and School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

It is important to note that in all of the above cases, the delinquent districts were contacted and encouraged to file the reports in order to avoid an interruption in their state aid. Nevertheless, there remain a few noncompliant districts. We appreciate the cooperation of all those who have filed their reports in a timely manner.

**ALLOWABLE TRANSFERS BETWEEN FUNDS**

Due to United States Department of Agriculture restrictions on the use of food service revenues, the Michigan Department of Education reviews all transfers of funds from the food service fund to other funds for appropriateness. It is acceptable to transfer funds from the food service fund to the general fund as long as that transfer is to reimburse

indirect costs or other approved costs of the general fund that are related to food service. Reimbursement of indirect costs must be for the current year only. No recapture of prior year costs is allowed. In addition, Section 18(1) of the State School Aid Act (SSAA) restricts the amount of funds that can be transferred from the general fund to a capital project or debt retirement fund. Not more than 20% of the total amount received by a district under Article 2 of the SSAA or intermediate school district under Article 8 of the SSAA may be transferred by the board to either the capital projects fund or to the debt retirement fund for debt services. However, it is acceptable to expend funds directly from the general fund for capital projects and debt service. Questions related to these transfers may be addressed to Glenda Rader at (517) 335-0524 or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

#### **SECTION 20(8) AND 20(9) FUNDING INFORMATION**

Certain "hold-harmless" districts are eligible for funding under Section 20(8) or Section 20(9) of the state school aid act. A hold-harmless district is defined as a district whose FY 1995 foundation was \$6,500 or greater. The eligible hold-harmless districts are those with less than 350 pupils or those eligible to levy .5 mill or less under Section 1211(1) of the *Revised School Code*. In order to qualify, the district must send in a board resolution each year stating that they are not levying any millage under Section 1211(1) and are requesting payment under Section 20(8) or Section 20(9). If you qualify under either of the criteria and have not sent in your resolution, you may still do so. However, you should send in the resolution as soon as possible to: Michigan Department of Education, P.O. Box 30106, Lansing, Michigan 48909. Questions related to this item may be directed to Dan Hanrahan at (517) 335-0521 or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).

#### **SECTION 20(19) PAYMENTS CONTINUE IN FY 2006**

Pursuant to the language in Section 20(19), districts which received FY 2002 Section 32e Small Class Size funds continue to have their foundation allowance adjusted by the quotient of the amount of their FY 2002 Section 32e allowance divided by the number of pupils in the district's membership for 2001-2002 who were residents of and enrolled in the district. A district qualifying for a foundation allowance adjustment under Section 20(19) must use the funds resulting from this adjustment for purposes allowable under former Section 32e as in effect for FY 2002. An exception to this requirement is that a school or schools operated by a district qualifying for a foundation adjustment under this subsection that have met the adequate yearly progress standards of the No Child Left Behind Act in both mathematics and English language arts may submit an application for flexibility to the Department. The per pupil foundation adjustment is displayed on page 1 of the State School Aid Financial Status Report in the box with the per pupil foundation amount and is labeled "20(19) Foundation Adjustment." The total amount of the foundation allowance adjustment for the Section 20(19) funds is displayed in that box as well. This adjustment affects the value of the state per pupil (STATEPP) on page 2 of the State Aid Financial Status Report under the section labeled "Other Current Year Calculation Information" on the line labeled "20 Foundation Grant." The funds are included in the corresponding amount on that line. (Dan Hanrahan, (517) 335-0521, or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov)).

#### **WELCOME ANN!**

The office of State Aid and School Finance is very pleased to introduce our newest staff member, Ann Mazurek, who joins us as a Financial Analyst. Ann fills the vacancy created by Val Stewart who took a position with the Department of Environmental Quality. Ann comes to us from the Department of Community Health. Her experience with the state's accounting system will be a great benefit to our Office and already helped us through our fiscal year end book closing. As she becomes more familiar with the state school aid formulas she will be able to serve you as well as us in the Office of State Aid and School Finance. Ann can be reached at (517) 241-0495 or e-mail [MazurekA@Michigan.gov](mailto:MazurekA@Michigan.gov).

#### **GENERAL INFORMATION**

- The proration factor for Section 31a - At Risk funding is \$170.3114898972 per pupil.

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov)